



**OFFICE OF AUDITOR OF STATE  
STATE OF IOWA**

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Mary Mosiman, CPA  
Auditor of State

**NEWS RELEASE**

FOR RELEASE

June 27, 2018

Contact: Marlys Gaston  
515/281-5834

Auditor of State Mary Mosiman today released an agreed-upon procedures report on the City of Lakeside, Iowa for the period April 1, 2017 through March 31, 2018. The agreed-upon procedures engagement was performed pursuant to Chapter 11.6 of the Code of Iowa.

Mosiman recommended the City review its control procedures to obtain the maximum internal control possible and establish procedures to reconcile utility billings, collections and delinquent accounts for each billing period. In addition, the City should establish procedures to ensure the City's Annual Financial Report agrees to the City's records.

A copy of the agreed-upon procedures report is available for review in the City Clerk's Office, in the Office of Auditor of State and on the Auditor of State's web site at <https://auditor.iowa.gov/reports/1722-0085-EP0P>.

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**CITY OF LAKESIDE**

**INDEPENDENT ACCOUNTANT'S REPORT**  
**ON APPLYING AGREED-UPON PROCEDURES**

**FOR THE PERIOD**  
**APRIL 1, 2017 THROUGH MARCH 31, 2018**

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**City of Lakeside**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Began</u>	<u>Term Expires</u>
Roger Pomrenke	Mayor	Jan 2018	Jan 2020
Caren Iehl	Council Member	Jan 2016	Jan 2020
Mike Rust	Council Member	Jan 2016	Jan 2020
Steve Brashers	Council Member	Jan 2018	Jan 2022
Karl Larson	Council Member	Jan 2018	Jan 2022
Geneve Brungardt	Council Member	Jan 2018	Jan 2022
Jackie Stief	City Clerk/Treasurer		Indefinite
Dave Jennett	Attorney		Indefinite

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Mary Mosiman, CPA  
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**Independent Accountant's Report on Applying Agreed-Upon Procedures**

To the Honorable Mayor and Members of the City Council:

We have performed the procedures enumerated below which were established pursuant to Chapter 11.6 of the Code of Iowa enacted by the Iowa Legislature to provide oversight of certain Iowa cities. Accordingly, we have applied certain tests and procedures to selected accounting records and related information of the City of Lakeside for the period April 1, 2017 through March 31, 2018, including procedures related to the City's compliance with certain Code of Iowa requirements identified below. The City of Lakeside's management, which agreed to the performance of the procedures performed, is responsible for compliance with these requirements and for the City's records.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards for attestation engagements contained in Government Auditing Standards, issued by the Comptroller General of the United States. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below, either for the purpose for which this report has been requested or for any other purpose.

The procedures we performed are summarized as follows:

1. We reviewed selected City Council meeting minutes for compliance with Chapters 21, 372.13(6) and 380 of the Code of Iowa.
2. We reviewed the City's internal controls to determine if proper control procedures are in place and incompatible duties, from a control standpoint, are not performed by the same employee.
3. We reviewed surety bond coverage for compliance with Chapter 64 of the Code of Iowa.
4. We obtained and reviewed the City Clerk's financial reports and selected bank reconciliations to determine whether the bank balances properly reconciled to the general ledger account balances and monthly financial reports provided to the City Council.
5. We reviewed City funds for consistency with the City Finance Committee's recommended Uniform Chart of Accounts (COA) and to determine required funds and fund balances are properly maintained and accurately accounted for.
6. We reviewed the City's fiscal year 2017 Annual Financial Report to determine whether it was completed and accurately reflects the City's financial information.
7. We reviewed investments to determine compliance with Chapter 12B of the Code of Iowa.
8. We reviewed compliance with Chapters 12C.2, 12B.10B and 556.1(12) of the Code of Iowa pertaining to required depository resolutions, investment policy and reporting of unclaimed property to the State of Iowa.


9. We reviewed debt, including general obligation and revenue bonds/notes, and related transactions for proper authorization and compliance with Chapters 75, 384 and 403.9 of the Code of Iowa and to determine whether the debt and related proceeds and repayments were properly accounted for.
10. We reviewed and tested selected receipts for accurate accounting and consistency with the recommended COA.
11. We reviewed and tested selected disbursements for proper approval, adequate supporting documentation, accurate accounting and consistency with the recommended COA and compliance with the public purpose criteria established by Article III, Section 31 of the Constitution of the State of Iowa.
12. We reviewed and tested selected payroll and related transactions for propriety, proper authorization and accurate accounting.
13. We reviewed the annual certified budget for proper authorization, certification and timely amendment.

Based on the performance of the procedures described above, we identified various recommendations for the City. Our recommendations are described in the Detailed Recommendations section of this report. Unless reported in the Detailed Recommendations, items of non-compliance were not noted during the performance of the specific procedures listed above.

We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on specific accounting records and related information of the City, including compliance with specific Code of Iowa requirements. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

The purpose of this report is to report, in accordance with Chapter 11.6 of the Code of Iowa, certain agreed-upon procedures and the resulting recommendations pertaining to selected accounting records and related information of the City, including the City's compliance with certain Code of Iowa requirements. This report is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Lakeside during the course of our agreed-upon procedures engagement. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

  
MARY MOSIMAN, CPA  
Auditor of State

May 31, 2018



## **Detailed Recommendations**

City of Lakeside

Detailed Recommendations

For the period April 1, 2017 through March 31, 2018

- (A) Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Generally, one individual has control over each of the following areas for the City:

- (1) Cash – custodian, handling, reconciling and recording.
- (2) Investments – recordkeeping, investing, custody of investments and reconciling earnings.
- (3) Debt – recordkeeping, compliance and debt payment processing.
- (4) Receipts – opening mail, collecting, depositing, recording, reconciling and posting.
- (5) Disbursements – purchasing, invoice processing, check writing, mailing, reconciling and recording.
- (6) Payroll – recordkeeping, preparing, signing and distributing.
- (7) Utilities – billing, collecting, depositing, posting and maintaining detailed accounts receivable and write-off records.

Recommendation – We realize segregation of duties is difficult with a limited number of employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials. Independent reviews of reconciliations should be documented by the signature or initials of the reviewer and the date of the review.

- (B) Bank Reconciliations – Although monthly bank reconciliations were prepared for individual bank and investment accounts, the reconciliations were not prepared as of a month end. Accordingly they were not properly reconciled to the City's end of month bank balances. For the month ended March 31, 2018, we assisted the City Clerk in properly reconciling the bank balance to the City's records to an immaterial variance. In addition, the bank reconciliations were not reviewed by an independent person.

Recommendation – To improve financial accountability and control, monthly bank reconciliations, including investments, should be performed at month end and variances between book and bank balances should be investigated and resolved timely. In addition, the reconciliations should be reviewed by an independent person and the review should be documented by the initials or signature of the reviewer and the date of the review.

- (C) Investments – An accounting record/register is not maintained for each investment. Also, on certificate of deposit (CD) balance reported did not agree to the CD by \$531.

Recommendation – An accounting record/register for each investment which includes the cost, description, date purchased, interest rate, maturity date and identifying number should be maintained. Balances reported should agree to CD balances.

City of Lakeside

Detailed Recommendations

For the period April 1, 2017 through March 31, 2018

- (D) Restrictive Endorsement – Checks were not restrictively endorsed immediately upon receipt.

Recommendation – To safeguard collections, checks should be restrictively endorsed immediately upon receipt.

- (E) Reconciliation of Utility Billings, Collections and Delinquent Accounts – Utility billings, collections and delinquent accounts were not reconciled throughout the year and a delinquent account listing was not prepared monthly.

Recommendation – A listing of delinquent accounts should be prepared monthly. Procedures should be established to reconcile utility billings, collections and delinquent accounts for each billing period. The City Council or other independent person designated by the City Council should review the reconciliations and monitor delinquent accounts. The review should be documented by the signature or initials of the reviewer and the date of the review.

- (F) Prenumbered Receipts – Prenumbered receipts were not issued for all collections.

Recommendation – Prenumbered receipts should be issued for all collections. These collections should be compared to the bank deposit and the accounting records by an independent person and the evidence of review should be documented.

- (G) City Council Meeting Minutes – The City Council went into closed session on June 13, 2017. The closed session was not in compliance with Chapter 21.5 of the Code of Iowa. The specific exemption under Chapter 21.5 for closing the session was not identified or documented and it was not clear if final action was taken in open session.

Recommendation – The City should comply with Chapter 21.5 of the Code of Iowa for future closed meetings.

- (H) Petty Cash – Supporting documentation was not always available to support petty cash purchases. During our review, we noted the petty cash drawer was short \$8.

Recommendation – All purchases that use petty cash funds should be supported by an invoice. Also, procedures should be established to ensure petty cash reconciles to an authorized amount.

- (I) Monthly City Clerk's Report – The monthly City Clerk's report to the City Council included a list of claims for the month, but did not classify receipts, expenditures and transfers by fund or function or compare actual disbursements to budget by function. Also, fund totals provided to the City Council did not reconcile to the City's records at month end.

Recommendation – For better financial information, the monthly reports should include the beginning balances, receipts, disbursements, transfers and ending balances for each fund at month end. Also, to provide better control over budgeted disbursements and the opportunity for timely amendments to the certified budget, the City Clerk's monthly financial reports to the City Council should include comparisons of total disbursements for all funds to the certified budget by function. All information provided to the City Council should be supported by the City's records.

City of Lakeside

Detailed Recommendations

For the period April 1, 2017 through March 31, 2018

- (J) Payroll – Although timesheets were prepared for all employees, there was no indication the timesheets were reviewed and approved.

Recommendation – Timesheets should be reviewed and approved by supervisory personnel prior to processing payroll.

- (K) Annual Financial Report – The beginning balance for the governmental and proprietary activities did not agree to the prior year ending balances reported in the June 30, 2016 Annual Financial Report (AFR). The total ending balance reported on the City's AFR did not agree to the City's records by \$71,227. Also, total receipts and disbursements reported on the AFR were \$410,126 and \$452,842, respectively, less than the City's records, largely due to the exclusion of certain costs and reimbursements related to the construction of a new lift station and sewer improvement project from the City's AFR.

Recommendation – The City should ensure the Annual Financial Report is accurate and agrees with the City's records.

- (L) Certified Budget – Disbursements during the year ended June 30, 2017 exceeded the amounts budgeted in the health and social services and business type activities functions. Chapter 384.20 of the Code of Iowa states, in part, "Public monies may not be expended or encumbered except under an annual or continuing appropriation."

Recommendation – The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

- (M) Electronic Check Retention – Chapter 554D.114 of the Code of Iowa allows the City to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. The City does not receive an image of the back of each cancelled check.

Recommendation – The City should obtain and retain images of both the front and back of cancelled checks as required by Chapter 554D.114 of the Code of Iowa.

- (N) Depository Resolution – Although a resolution naming official depositories has been approved by the City, the maximum deposit amounts were not included in the depository resolution.

Recommendation – The City Council, by resolution, should adopt a new depository resolution which establishes maximum deposit amounts as required by Chapter 12C.2 of the Code of Iowa.

- (O) Investment Policy – The City has adopted a written investment policy. However, the policy refers to an outdated Chapter of the Code of Iowa rather than to Chapter 12B.10B of the Code of Iowa.

Recommendation – The City should modify the written investment policy to reference current Code of Iowa provisions.

City of Lakeside

Detailed Recommendations

For the period April 1, 2017 through March 31, 2018

- (P) City Council Disbursement Approval – The City Council approves certain disbursements after the invoices have been paid.

Recommendation – The City should adopt a written disbursement policy to allow payment of certain bills prior to City Council approval. The City disbursements should be approved by the City Council prior to disbursement with the exception of those specifically allowed by a policy. For those disbursements paid prior to City Council approval, a listing should be provided to the City Council at the next City Council meeting for review and approval.

City of Lakeside

Staff

This engagement was performed by:

Deborah J. Moser, CPA, Manager  
Luke M. Bormann, CPA, Staff Auditor  
Mitch M. Kirby, Assistant Auditor

  
Marlys K. Gaston, CPA  
Director